

Message Text

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FM AMEMBASSY DACCA

TO SECSTATE WASHDC 9819

INFO AMEMBASSY ISLAMABAD

AMCONSUL KARACHI

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E. O. 11652: N/ A

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SUBJECT: NATIONALIZED INSURANCE INDUSTRY WHOLLY REORGANIZED

REF: A. DACCA 3271, 8/10/72 ; B. DACCA 3861, 9/15/72; C. DACCA 0452,
1/30/73

SUMMARY. WHEREAS LAST YEAR THERE WERE SIX PUBLIC- SECTOR INSURANCE CORPORATIONS, NOW NUMBER HAS BEEN REDUCED TO TWO, ONE IN GENERAL INSURANCE AND ANOTHER IN LIFE. AUTONOMY OF PAST SETUP GROSSLY MISUSED; MOST OF HIGH EXECUTIVES DISMISSED. AUTHORITY GOVT INSURANCE CONTROLLER REPORTEDLY STRENGTHENED, UNDER NEW ACTIVIST SOCIALIST- MINDED MINNSTER COMMERCE. NON- NATIONALIZED AMERICAN LIFE MAY ENCOUNTER DELAY IN GETTING PERMIT TO DO NEW BUSINESS, UNTIL ITS MAJOR COMPETITION ABLE TO COMPETE MORE EFFECTIVELY THAN NOW.

1. BY ORDINANCE ISSUED MAY 14 (TO BE RATIFIED WHEN PARLIAMENT MEETS), BANGLADESH GOVERNMENT HAS DISSOLVED JATIYO BIMA CORP. (NATIONAL INSURANCE CORP.), HOLDING COMPANY OF THE FOUR NATIONALIZED ORGANIZATIONS IN GENERAL AND LIFE INSURANCE. KBC' S LIMITED ASSETS TAKEN OVER BY GOVERNMENT INSURANCE CONTROLLER. THE TWO LIFE INSURANCE CORPS. - RUPSA AND SUMA - HAVE BEEN COMBINED INTO A
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SINGLE ORGANIZATION CALLED JIBAN BIMA CORP. (LIFE INSURANCE CORP.). TWO GENERAL INSURANCE CORPS. - TEESTA AND KARNAPHULI (LATTER INCORPORATING THE FOUR SMALL NATIONALIZED US FIRMS) - HAVE BEEN AMALGAMATED INTO ONE, CALLED SADHARAN BIMA CORP. (GENERAL INSURANCE CORP.).

2. CHAIRMAN JBC, FORMER COMMERCE MINISTER HAFIZUR RAHMAN (REF A) HAS BEEN CASHIERED ALONG WITH ALL BUT TWO OF THE OTHER 18 TOP INDUSTRY EXECUTIVES. ONCE DIRECTOR OF JDC RETAINED TO RUN JIBAN BIMA CORP. (KHUDA BUKSH). CHAIRMAN OF TEESTA (TOLAM MOWLA) ONLY ONE WHO REMAINS FROM THE FIVE PREVIOUS CORPORATIONS - KEPT ON TO RUN SADHARAN BIMA CORP.

3. AS REPORTED REF C, BANGLADESH INCUSRANCE CORP., SUCCESSOR ORGANIZATION TO PAKISTAN INSURANCE CORP., HANDLING REINSURANCE, HAD BEEN DISSOLVED EARLIER. REINSURANCE NOW BEING HANDLED BY THE TWO NEW OPERATIONAL BODIES.

4. STRUCTURE OF INSURANCE ORGANIZATION BANGLADESH GREATLY SIMPLIFIED. PLAN TO HAVE NATIONALIZED CORPS. COMPETE WITH EACH OTHER IN GENERAL AND LIFE INSURANCE FIELDS ABANDONED. INSURANCE CONTROLLER S. A. CHAUDHURI STILL FEELS MODEL WAS GOOD ONE, BETRAYED ONLY BY PEOPLE APPOINTED TO RUN FORMER SETUP.

5. PRESS HAS CHARGED THAT PREVIOUS SYSTEM LACKED PROPER DIRECTIVES FROM GOVERNMENT. JBC HAD NOT WORKED OUT GUIDELINES FOR INDUSTRY. SOLE ACCOMPLISHMENT WAS ISSUANCE OF PAY SCALES FOR THE FIVE CORPORATIONS WHICH ONLY RESULTED IN OUTRIGHT REBELLION BY STAFF. CHAIRMAN OF INDIVIDUAL CORPORATIONS ALLEGEDLY GAVE LITTEL LEADERSHIP, ENGAGED IN FAVORITISM IN APPOINTMENTS, INVOLVED SELVES IN INTRA- INDUSTRY FACTIONALISM, AND WERE GENERALLY CORRUPT. STAFF INEFFICIEINT, APATHETIC. ALMOST NO LIFE INSURANCE POLICIES WERE ISSUED. SOME GENERAL INSURANCE DONE BUT ONLY BECAUSE ABSOLUTELY NECESSARY IN WORKING OF ECONOMY.

6. CHAUDHURI HAS CONFIRMED TO EMBOFF MUCH OF PRESS ACCOUNT. ASCRIBES SWEEPING REORGANIZATION OF NEW COMMERCE MINISTER, KAMARU-ZZAMAN. DETAILED GOVERNMENT INTEREST IN INSURANCE NOW ASSURED. CONTROLLER GIVEN NEW AUTHORITY. OVERHAUL APPEARS TO BE FIRST IN CLEANUP CAMPAIGN REPORTEDLY UNDER WAY IN NATIONALIZED SECTOR.

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7. CONSTITUENT UNITS TAKEN OVER BY FOUR PREVIOUS INSURANCE CORPS. HAD CEASED TO OPERATE LEGALLY UNDER OLD NAMES, AS SCHEDULED JAN 1.,

1973. INDIVIDUAL OFFICES CONTINUE WORK, BUT OPERATIONS NOT YET INTEGRATED. THUS BASIC PROCESS OF TRANSFORMATION FORMER PRIVATE-SECTOR/ INSURANCE INTO PUBLIC SECTOR REMAINS TO BE ACCOMPLISHED AND STANDS AS PRIMARY CHALLENGE TO NEWLY ORGANIZED SETUP.

8. WITH ACTIVIST, SOCIALIST- MINDED MINISTER KARARUZZAMAN REPLACING PRO- PRIVATE SECTOR FORMER MINISTER M. R. SIDDIQUI AND WITH LIFE INSURANCE CORPS. REDUCED TO ONE, LONG- TERM POSITON OF NON- NATION-ALIZED AMERICAN LIFE INSURANCE COMPANY MAY BE IN QUESTION. THOUGH JIBAN BIMA CORP. PERHAPS WOULD LIKE TO INTEGRATE ALICO INTO ITS OPERATIONS NOW, CHAUDHURI DOES NOT FORESEE THAT EVENTUAL
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